



SHORE CAPITAL



PUMA VCT III PLC

ANNUAL REPORT & ACCOUNTS 2009

Contents

Chairman's Statement	2
Investment Manager's Report	4
Investment Portfolio Summary	7
Significant Qualifying Investments	8
Directors' Biographies	10
Officers and Professional Advisers	11
Report of the Directors	12
Directors' Remuneration Report	16
Corporate Governance Statement	17
Independent Auditor's Report	20
Income Statement	21
Balance Sheet	22
Cash Flow Statement	23
Reconciliation of Movements in Shareholders' Funds	24
Notes to the Accounts	25
Notice of Annual General Meeting	39

Highlights

- Fully diluted NAV per share of 90.08p at year end (down 6.0% for the year).
- Final dividend of 2.5p per ordinary share.
- Cumulative dividends to date (including Final) of 4.00p per ordinary share.
- Portfolio of qualifying AiM stocks has recovered significantly since the year end.

Sir Aubrey Brocklebank Bt, Chairman, said:

“It has been an unprecedented year for financial markets around the world, but I am able to report that the defensive qualities of Puma VCT III plc’s investments have protected it from much of these difficulties.

“We remain cautious about the state of the economy and the duration of the current recession. The values of most types of asset already reflect the prospects for a long recession and with the reluctance or inability of banks to advance new credit, the environment remains challenging. This may reduce the collateral value supporting some of our secured loans and slow the progress in achieving successful realisations in preparation for the end of the VCT’s life. Notwithstanding this, there is good potential to deliver a satisfactory post-tax return to investors which should outperform most other investments made over a similar period.”



Cadbury House Limited.

Chairman's Statement

It has been an unprecedented year for financial markets around the world. The global financial system was close to breaking point and two major US banks, Lehman Brothers and Washington Mutual, did fail. Closer to home, the AiM market fell an astonishing 63 per cent. over the course of the financial period. Against this background, I am able to report that the defensive qualities of Puma VCT III plc's investments have protected it from much of these difficulties. NAV at the period end was 90.08p, after payment of a dividend of 1.5p. On a total return basis, the VCT lost 6.0 per cent. during the period; this was considerably better than most other VCTs or indeed other types of investment, reflecting the Investment Manager's conservative approach.

Most of the drop in the value of our investments arose in our AiM equity holdings which, as already noted above, saw sharp falls in price as many investors were forced or panicked into selling into an illiquid market. Since the period end, there has been a noticeable increase in the value of some of these investments since these stocks had suffered unusually large falls.

Venture capital investments

This period, the VCT met its minimum qualifying investment percentage of 70 per cent. The VCT invested £6 million into a number of qualifying companies which are actively pursuing opportunities for significant qualifying businesses. I will update you on the progress these investments make in due course. Given the current uncertainties with AiM and private equity investments in regards to a timely exit, the Investment Manager has taken a cautious approach when considering further qualifying investments, ensuring where possible that they offer liquidity in the medium term with a good element of downside protection.

It has been an eventful year for our existing qualifying investments. The VCT has an investment of over £2.3m in Cadbury House Limited. Cadbury House, the hotel and health club, has outperformed expectations in the current climate and won national awards for its facilities.

In 2006, the VCT made its first investment in Stocklight, a rare book dealer and the parent company of Bloomsbury Auctions Limited. Bloomsbury Auctions is Europe's largest specialist book auctioneer. The VCT has invested a total of £985,000 to date and, although business in this sector has been tough, the VCT's investment is secured and bears an attractive coupon.

As announced previously, Bond Contracting Limited (in which the VCT invested £1.0m) has a master development contract and is making significant progress in constructing a 141 bed Holiday Inn hotel on the outskirts of Winchester. It is expected that this will complete in the current year and be operational in early 2010.

The VCT made a follow-on investment in Clifford Contracting Limited of £890,000 on top of the existing £1 million in the current period. Subsequent to the period end, Telford Homes plc, a residential property developer in East London, purchased Clifford Contracting Limited for £6,328,500, of which £1,888,000 was for this VCT's investment in Clifford Contracting Limited. The sale to Telford is in exchange for new shares and secured loan notes in Telford Homes plc and the investment will remain qualifying for VCT purposes for several years. It is expected that the transaction will enable the VCT to exit its investment in line with the expected wind-up of the VCT, should shareholders vote to approve this.

At 28 February 2009, the VCT's qualifying portfolio had a total cost of £13,621,000 and was valued at £12,564,000 resulting in an unrealised loss of £1,057,000. Further details are set out in the Investment Manager's Report and the Largest Qualifying Investments on pages 8 to 10.

Non-qualifying investments

The Investment Manager has invested the non-qualifying investments on an absolute return basis. The market value was £4,650,000 at period-end against an underlying book cost of £5,362,000 with significant realisations in the period from investments in hedge funds. The performance of the non-qualifying portfolio was down in 2008/9 as a result of the downward

pressure on the equity and property markets. Subsequent to period end, the VCT intends to use any excess cash reserves to invest in high yielding investment grade corporate bonds and bond funds, selecting investments which are liquid and short dated.

VAT

As discussed in the last interim report, the Government has announced that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008. This represents a prospective annual cost saving for the VCT of approximately £65,000. The Government has conceded that VCTs are able to obtain a repayment of VAT paid on management fees in earlier periods for which we have put a claim in of approximately £128,000 subsequent to the period-end. This recovery of VAT has not been included in the NAV at the period end.

Results and dividend

The VCT generated a profit before tax on revenue account of £734,000. However, principally as a result of write-downs on investments, it incurred a net total loss for the period of £1,136,000. Gross revenue for the period was £994,000 and net revenue return after taxation was £596,000. The Board proposes a final dividend of 2.5p per Ordinary Share. The ex-dividend date will be 15 July 2009 and the record date 17 July 2009. Payment will be made to shareholders by 16 September 2009.

Annual General Meeting

The Annual General Meeting of the VCT will be held at Bond Street House, 14 Clifford Street, London, W1S 4JU on 9 September at 10:10am. Notice of the Annual General Meeting and Form of Proxy are inserted within the annual accounts.

Outlook

The fall-out from tighter credit conditions is presenting more attractive opportunities to Puma VCT III plc as credit spreads of solid, profitable companies widen resulting in attractive yields. The existing private equity investments are generating a satisfactory return and are largely in the form of secured loans, which the Investment Manager has structured to facilitate exit in the medium term. Since the start of the current financial year beginning 1 March 2009 to the close on 25 June 2009, your portfolio of qualifying AiM stocks has gained 64 per cent., compared to 25 per cent. for the AiM index over the same period.

We remain cautious about the state of the economy and the duration of the current recession. The values of most types of asset already reflect the prospects for a long recession and with the reluctance or inability of banks to advance new credit, the environment remains challenging. This may reduce the collateral value supporting some of our secured loans and slow the progress in achieving successful realisations in preparation for the end of the VCT's life. Notwithstanding this, there is good potential to deliver a satisfactory post-tax return to investors which should outperform most other investments made over a similar period.

Sir Aubrey Brocklebank Bt

Chairman

29 June 2009

Investment Manager's Report

Overall Performance

In its third year, the Company's investment strategy has been tested repeatedly against a banking crisis which has spread to all corners of the market. As is usual during economic upheavals, investors shun smaller companies in favour of larger and more liquid investments, and as a result the valuation of AiM companies took an unprecedented fall. Thus, we are pleased to report that the NAV per share performed relatively well, only dropping from 97.40p to 90.08p representing a 6.0 per cent fall after taking into account the dividend of 1.5p. Notwithstanding this, the results are disappointing as our investors were looking for an absolute return on their capital.

The performance of the non-qualifying portfolio also suffered as the market sentiment on property stocks and the general equity markets worsened over the period. This was because one element of the portfolio was property-related stocks which performed badly in 2008/2009, having previously generated good returns for the VCT. We redeemed the majority of the VCT's hedge fund investments in the summer and autumn of 2008; this timely redemption meant that the contribution from this element of the non-qualifying portfolio was only down marginally for the period.

Qualifying Investments - unquoted

The Company achieved its 70% qualifying status in the current financial period, and as a result the Board expect to concentrate in the future on the monitoring of our existing investments, rebalancing its non-qualifying investments to reflect changed market circumstances and considering the options for exits.



The Restaurant, Cadbury House Limited.

Puma VCT III's largest investment is its £2.3 million debt and equity investment in Cadbury House Limited. Cadbury House's hotel and health club development project which started in June 2005 is fully operational and delivering good results. The overwhelming success of the leisure club in growing membership led to a proposal to build an extension to increase capacity and the VCT's investment in the facilities has enabled the club to achieve UK Health Club of Year in 2009.

Puma VCT III has invested £1.0 million in Bond Contracting Limited up to period-end including £394,000 in the last financial period. Bond Contracting was set-up to operate as a contractor within the leisure sector and actively sought to enter into contracting arrangements during the period. It has entered into a contract as master contractor to build a 141 room Holiday Inn hotel on the outskirts of Winchester. The VCT has made an additional investment in Bond Contracting of £182,000 subsequent to the period-end.



The Holiday Inn hotel in Winchester, being built by Bond Contracting Limited.

Stocklight Limited in which the VCT has invested £985,000, is a rare book dealer and the parent company of Bloomsbury Auctions, which has made progress expanding its book auction business both in the UK and overseas. Whilst trading for this business is tough, we believe that it has a strong franchise.

Clifford Contracting Limited (“Clifford”) is a contracting business supplying services to residential developers in which the VCT had invested £1.89 million (£890,000 in the current period). Subsequent to the period end, Telford Homes plc (“Telford”), the AiM listed residential property developer in East London noted for regeneration projects within public sector partnerships, purchased Clifford. The purchase price paid by Telford for the ordinary shares of, and loan notes issued by, Clifford is £6,328,500 in total, comprising £5,695,650 in new loan notes and the issue of 1,130,089 new Telford ordinary shares. Puma VCT III will receive approximately £1,700,000 in loan notes earning 8.88% p.a. interest after 31 October 2009 (4.5% p.a. prior to this) and 188,000 Telford shares. The value of the new loan notes and Telford shares are in line with the valuation of Clifford as at the period end.

The VCT invested £6 million into a number of qualifying companies which are actively pursuing opportunities for significant qualifying businesses. We will update you on the progress these investments make in due course.

Qualifying Investments - quoted

The VCT made no additional qualifying investments into AiM quoted companies during the period. As mentioned above, the value of the AiM portfolio dropped significantly, but we are pleased to note that some of these stocks had begun to recover by the period end, a recovery which has continued subsequently. We believe this reflects a better recognition of their strengths.

As at the period end, the listed qualifying holdings made up approximately 3% of total qualifying holdings and about 2% of the entire portfolio. Within this, the largest components are Mount Engineering plc and Vertu Motors plc, accounting for 71% of total AiM listed



The Puma VCTs have invested in the parent of Bloomsbury Auctions, international auctioneers of rare books.

qualifying holdings, and we therefore highlight these two larger investments below.

Mount Engineering owns a portfolio of established engineering brands selling principally to the oil and gas sector, largely for operations rather than for major capital projects. The company is cash generative and has a strong balance sheet with 2008 profits slightly ahead of expectations. Group trading is forecast to be reasonably resilient and the company currently trades on less than six times forecast 2009 profits. The VCT has invested £188,000 in this company which is valued at £145,000, resulting in an unrealised loss of £43,000.

Vertu Motors is a volume retailer of both new and used cars, largely from freehold premises which it has acquired in the last few years on good terms. The business has remained profitable throughout the financial crisis and economic downturn and has consistently outperformed the market over the past 3 years. It has strong management which to date have delivered growth and cash generation and protected its strong balance sheet. The VCT has invested £500,000 in this company which is valued at £108,000, resulting in an unrealised loss of £392,000. However, the share price has appreciated over 170% since period end and currently trades at around tangible NAV. Vertu recently raised a further £30m to take advantage of opportunities in the sector.

Investment Manager's Report continued

The steady stream of bad news about the state of the banks, corporate debt, and the poor state of the economy continues to dominate the press. However, for those companies without high levels of debt, it appears that investors are looking for value amongst share prices that have fallen too far. It is for this reason that smaller companies have outperformed their larger peers so far this year, as the scale of the rating discounts they were trading at has become apparent. We are sceptical that the economy is past its worst, but if it improves from here there should be scope for the asset values to recover further as the VCT's investments mature.

Non-qualifying Investments

During 2008, the VCT held significant sums in bank commercial paper on which we achieved satisfactory returns. Since the sharp fall in interest rates, we have invested some of the balance of the VCT's portfolio in reasonably liquid, better yielding corporate bonds with short maturity, of investment grade or close thereto. In the same vein, the VCT has purchased a diversified portfolio of corporate bond funds holding a broader range of similar credits. As stated above, we reduced holdings in hedge funds to a lower level – the remaining hedge fund holdings are generating a positive return.



Mount Engineering plc.

Investment Strategy

We are now focused on improving the liquidity of the portfolio wherever possible whilst maintaining an appropriate risk adjusted return. The objective remains to achieve an orderly winding up of the VCT's assets at the end of its life, subject to shareholder approval.

Shore Capital Limited

29 June 2009

Investment Portfolio Summary

As at 28 February 2009

Investment	Valuation £'000	Original Cost £'000	Gain/(Loss) £'000	Valuation as % of NAV
Qualifying Investments – Unquoted				
Albemarle Contracting Limited**	1,000	1,000	–	6%
Bruton Services Limited**	1,000	1,000	–	6%
Bond Contracting Limited	1,000	1,000	–	6%
Cadbury House Limited	2,335	2,335	–	13%
Clifford Contracting Limited	1,890	1,890	–	11%
Heddon Services Limited**	1,000	1,000	–	6%
Kingly Services Limited**	1,000	1,000	–	6%
Pollen Services Limited**	1,000	1,000	–	6%
Saville Services Limited**	1,000	1,000	–	6%
Stocklight Limited	985	985	–	6%
Qualifying Investments – Quoted				
Clarity Commerce Solutions plc	78	230	(152)	0%
Mount Engineering plc	145	188	(43)	1%
Sport Media Group plc	23	493	(470)	0%
Vertu Motors plc	108	500	(392)	1%
Total Qualifying Investments	12,564	13,621	(1,057)	71%
Non-Qualifying Investments – Unquoted				
Lakan Investments Limited	380	307	73	2%
Non-Qualifying Investments – Quoted				
Blackrock UK Emerging Cos Hedge Fund Limited*	1,114	800	314	6%
JP Morgan Progressive Multi-Strategy Fund Limited	207	306	(99)	1%
Puma Absolute Return Fund Limited *	2,112	2,160	(48)	12%
St Peter Port Capital Limited	371	700	(329)	2%
The Hotel Corporation plc	114	173	(59)	1%
Puma Brandenburg Limited	339	779	(440)	2%
Treveria plc	13	137	(124)	0%
Total Non-Qualifying Investments	4,650	5,362	(712)	26%
Total investments	17,214	18,983	(1,769)	98%
Other net assets including cash at bank and in hand	363	363	–	2%
Net assets	17,577	19,346	(1,769)	100%

Of the investments held at 28 February 2009 73 per cent (2007 – 43 per cent) are incorporated in England and Wales, 20 per cent (2007 – 39 per cent) in the Cayman Islands, 2 per cent (2007 – 7 per cent) in Europe and 5 per cent (2007 – 11 per cent) the rest of the world. Percentages have been calculated on the valuation of the assets at the reporting date.

All quoted investments are listed on AiM with the exception of those noted below:

* Listed on the Irish Stock Exchange.

** The VCT has made investments comprising ordinary equity and debt instruments in these companies which have raised funds in the year and are actively seeking qualifying investment opportunities.

A detailed analysis of the loan stock holdings is provided in note 18 on page 37.

Albemarle and Clifford Contracting Limited and Bruton, Heddon, Kingly, Pollen and Saville Services Limited are wholly owned and Bond Contracting Limited is majority owned by VCTs managed by Shore Capital Limited, Graham Shore is a Director of all of these companies.

Significant Qualifying Investments



Cadbury House Limited

www.cadburyhouse.com

Cost (£'000):	2,335
Investment comprises:	
Ordinary shares (£'000):	600
Debt – Class B (£'000):	335
Debt – Class C (£'000):	1,400
Valuation method:	Directors' Valuation per IPEVC guidelines
Valuation (£'000):	2,335
Source of financial data –	
Last audited accounts:	1
Turnover (£'000):	1
Loss before tax (£'000):	1
Loss after tax (£'000):	1
Net assets (£'000):	1
Earnings per share (p)	1
Dividends per share (p)	1
Proportion of total equity held:	7.4%

Cadbury House Limited is a major venue for weddings, conferences and banqueting in the Bristol area with a well-established fitness centre on 14 acres of freehold grounds

¹ Cadbury House Limited is yet to file accounts.

Clifford Contracting Limited

Cost (£'000):	1,890
Investment comprises:	
Ordinary shares (£'000):	190
Debt (£'000):	1,700
Valuation method:	Directors' Valuation per IPEVC guidelines
Valuation (£'000):	1,000
Source of financial data –	
Last filed accounts:	30/04/08
Turnover (£'000):	–
Profit before tax (£'000):	(43)
Profit after tax (£'000):	(43)
Net assets (£'000):	597
Earnings per share (p)	(0.07)
Dividends per share (p)	–
Proportion of equity held:	29.7%

Clifford Contracting Limited (Clifford) is a contracting business servicing the residential development sector.

Bond Contracting Limited

Cost (£'000):	1,000
Investment comprises:	
Ordinary shares (£'000):	394
Debt (£'000):	606
Valuation method:	Directors' Valuation per IPEVC guidelines
Valuation (£'000):	1,000
Source of financial data –	
Last filed accounts:	30/04/08
Turnover (£'000):	–
Profit before tax (£'000):	(120)
Profit after tax (£'000):	(120)
Net assets (£'000):	1,880
Earnings per share (p)	(0.00)
Dividends per share (p)	–
Proportion of equity held:	19.7%

Bond Contracting Limited (Bond) has entered into a contract to construct a 141 bedroom hotel near Winchester. Having secured planning permission construction began in October 2008 and is expected to take about a year.



Vertu Motors plc

www.vertumotors.com

Cost (£'000):	500
Investment comprises:	
Ordinary shares (£'000):	500
Valuation method:	Bid Market Price
Valuation (£'000):	108
Source of financial data –	
Last audited accounts:	28/02/09
Turnover (£'000):	760,810
Profit before tax (£'000):	68
Profit after tax (£'000):	857
Net assets (£'000):	57,199
Earnings per share (p)	0.93
Dividends per share (p)	–
Proportion of equity held:	0.9%

Vertu Motors Plc owns and acquires motor retail operations in the form of franchised dealerships and used car only operations. Company is the 9th largest motor retail group in the UK – operating 45 dealerships in volume sector.



Stocklight Limited

www.shapero.com

Cost (£'000):	985
Investment comprises:	
Ordinary shares (£'000):	98
Debt (£'000):	887
Valuation method:	Directors' Valuation per IPEVC guidelines
Valuation (£'000):	985
Source of financial data –	
Last audited accounts:	31/12/07
Turnover (£'000):	15,173
Loss before tax (£'000):	(1,659)
Loss after tax (£'000):	(1,659)
Net assets (£'000):	5,307
Earnings per share (p)	(2.1)
Dividends per share (p)	–
Proportion of equity held:	1.0%

Stocklight Limited owns 100 per cent of Bloomsbury Auctions and trades as Bernard J Shapero Rare Books, an internationally recognised dealer in antiquarian and rare books. Bernard Shapero, who owns the business with his business partner Tommaso Zanzotto, has been dealing in antiquarian books for over 20 years. The company bought its current premises in Saint George Street, Mayfair, in 1996.

Directors' Biographies

Sir Aubrey Brocklebank Bt, ACA (Chairman) (57)

Sir Aubrey worked for Guinness Mahon from 1981 to 1986, initially in its corporate finance department before assisting in the establishment of a specialist development capital department. From 1986 to 1990 he was a director of Venture Founders Limited, managing a £12 million venture capital fund, which had been raised to invest in early stage ventures. He managed the Avon Enterprise Fund (a venture capital fund of circa £4.5 million investing in approximately 20 companies) from 1990 until all investments had been realised in 1997. He is on the board of eight other VCTs, the AiM Distribution Trust plc (as chairman), Keydata AiM VCT plc and Keydata AiM VCT II plc (both as chairman), Close Second AiM VCT plc and Pennine 6 VCT plc (both as a non-executive director), Puma VCT plc, Puma VCT II plc and Puma VCT IV plc (as chairman). He is and has also been a director of a number of companies, some of which are, or have been, quoted on AiM.

David Michael Brock (59)

David was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited having been involved at a senior level in both MFI's management buy out and its subsequent flotation. He started his career at Marks and Spencer Group plc. He is currently chairman of Jane Norman (Holdings) Limited, Episys Limited and Elderstreet VCT plc.

Graham Shore (53)

Graham is a former partner of Touche Ross (now Deloitte LLP) and was responsible for the London practice advising the telecommunications and new media industries. At Touche Ross he undertook strategic and economic assignments for a wide range of clients including appraisals of venture capital opportunities. In 1990, Graham joined Shore Capital as Managing Director, and has been involved in managing Shore Capital-promoted investment funds Puma I, the JellyWorks portfolio, Puma II and the Puma VCTs. This has involved the evaluation of new deals and representing the funds with investee companies. Graham has been involved with AIM since its inception as both a corporate financier and investor and with private equity for more than 20 years.

Officers and Professional Advisers

Directors

Sir A T Brocklebank Bt, ACA
(Chairman)*
D M Brock*
G B Shore (appointed 27 June 2008)*
*non-executive

Secretary

E C Kaye
(appointed 2 October 2008)

Registered Number

05317329

Registered Office

Bond Street House
14 Clifford Street
London W1S 4JU

Investment Manager

Shore Capital Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Administrator

Shore Capital Fund Administration
Services Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Sponsors and Solicitors

Howard Kennedy
19 Cavendish Square
London W1A 2AW

Bankers

The Royal Bank of Scotland plc
Western Branch
60 Conduit Street
London W1R 9FD

VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Custodian

Pershing Securities Limited
Capstan House
One Clove Crescent
East India Dock
London E14 2BH

Report of the Directors

The Directors present their annual report and the audited financial statements of the Company for the period to 28 February 2009.

Principal Activities and Status

The principal activity of the Company is the making of investments in qualifying holdings of shares or securities. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been granted provisional approval by the Inland Revenue under Part 6 of the Income and Corporation Taxes Act 2007 as a Venture Capital Trust for the period ended 28 February 2009. The Directors have managed, and continue to manage, the Company's affairs in such a manner as to comply with Part 6 of the Income and Corporation Taxes Act 2007.

The Company has no employees (other than the Directors).

The Company's ordinary shares of 1p each have been listed on the Official List of the UK Listing Authority since 19 May 2006.

The Company changed its accounting reference date from 31 December to 28 February during the period.

Investment Policy

Puma VCT III plc seeks to achieve its overall investment objective (of proactively managing the assets of the fund with an emphasis on realising gains in the medium term) by maximising distributions from capital gains and income generated by the Company's assets. It intends to do so whilst maintaining its qualifying status as a VCT, by pursuing the following Investment Policy:

Asset Mix

The Company may invest in a mix of qualifying and non-qualifying assets. The qualifying investments may be quoted on AiM/OFEX/Irish Stock Exchange or be unquoted companies. The Company may invest in a diversified portfolio of growth oriented qualifying companies which seek to raise new capital on flotation or by way of a secondary issue. The Company has the ability to structure deals to invest in private companies with an asset-backed focus to reduce potential capital loss. After 29 February 2009, the Company must have in excess of 70% of its assets invested in qualifying investments as defined for VCT purposes.

The portfolio of non-qualifying investments will be managed with the intention of generating a positive return. Subject to the Investment Manager's view from time to time of desirable asset allocation it will comprise quoted and unquoted investments (direct or indirect) in cash or cash equivalents, bonds, equities, vehicles investing in property and a portfolio of hedge funds.

Risk Management

The Company's asset mix includes a large proportion of the Company's assets held in unquoted investments. These investments are not publicly traded and there is not a liquid market for them, and therefore these investments may be difficult to realise. The Company may also find it difficult to realise some of the quoted investments held in its portfolio in the current market conditions.

The Company manages its investment risk within the restrictions of maintaining its qualifying VCT status by using the following methods:

- the active monitoring of its investments by the Investment Manager and the Board;
- seeking Board representation associated with each investment, if possible;
- seeking to hold larger investment stakes by co-investing with other companies managed by the Investment Manager, so as to gain more influence over the investment;
- ensuring a spread of investments is achieved.

Gearing

The Company has the authority to borrow up to 25% of the amount received on the issued share capital but there are currently no plans to take advantage of this authority.

Results and dividends

The results for the financial period are set out on page 21. The Directors propose a final dividend of 2.5p per Ordinary Share (2007 – 1.5p). It is the aim of the Directors to maximise tax free distributions to shareholders by way of dividends paid out of income received from investments and capital gains received following successful realisations.

Business Review and Developments

The Company's business review and developments are set out in the Chairman's Statement and the Investment Manager's Report on pages 4 to 6.

Key performance indicators

At each board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are movement in NAV, Total Return and dividends payable per share. The Board considers that the Company has no nonfinancial key performance indicators. In addition, the Board considers the Company's compliance with the Venture Capital Trust Regulations to ensure that it will continue to meet its VCT status.

Environmental and social policy

As a VCT the Company is a pure investment company and therefore has no trading activities. Due to this the Company does not have a policy on either environmental or social and community issues.

Principal risks and uncertainties

The principal risks facing the company relate to its investment activities and include market price, interest rate, credit and liquidity risk. An explanation of these risks and how they are managed is contained in note 18 to the financial statements. Additional risks faced by the company are as follows:

Investment Policy – Inappropriate stock selection leading to underperformance in absolute and relative terms is a risk which the Investment Manager and the Board mitigates by reviewing performance throughout the period and formally at Board meetings. There is also a regular review of the investment mandate and long term investment strategy by the Board and monitoring of whether the Company should change its investment strategy.

Regulatory Risk – the Company operates in a complex regulatory environment and faces a number of related risks. A breach of section 842AA of the Income and Corporation Tax Act 1988 could result in the Company being subject to capital gains on the sale of investments. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax relief currently available to shareholders. Serious breach of other regulations, such as the UKLA Listing rules and the Companies Act could lead to suspension from the Stock Exchange. The board receives quarterly reports in order to monitor compliance with regulations.

Capital Structure

The authorised and issued share capital of the Company is detailed in note 13 of these accounts.

During the period ended 28 February 2009, the Company issued no new shares.

Repurchase of Ordinary shares

Although the Ordinary Shares are traded on the London Stock Exchange, there is likely to be an illiquid market and in such circumstances Shareholders may find it difficult to sell their Ordinary Shares in the market. In order to try to improve the liquidity in the Ordinary Shares, the Board may establish a buy back policy whereby the Company will purchase Ordinary Shares for cancellation. However there are currently no plans to establish such a policy.

Directors

The Directors of the Company during the period and their beneficial interests in the issued ordinary shares of the Company at 1 January 2008 and 28 February 2009 were as follows:

	1p ordinary shares	
	28 February 2009	1 January 2008
Sir A T Brocklebank Bt, ACA (Chairman)	10,000	10,000
D M Brock	5,000	5,000
C J Ring, ACA (resigned 27 June 2008)	50,000	50,000
Graham Shore (appointed 27 June 2008)	170,000	170,000

All of the Directors' share interests shown above were held beneficially. No options over the share capital of the Company have been granted to the Directors. There have been no changes in the holdings of the Directors since the period end.

The Directors are also Directors of Puma VCT plc, Puma VCT II plc, Puma VCT IV plc and Puma VCT V plc (only Graham Shore is also a director of Puma VCT V), VCTs to which Shore Capital Limited is also the Investment Manager.

Investment management, administration and performance fees

The Company has delegated the investment management of the portfolio to Shore Capital Limited (Shore Capital). The principal terms of the Company's management

Report of the Directors continued

agreement with Shore Capital Limited as applicable during the period ended 28 February 2009, are set out in note 3 of the financial statements.

The Company has delegated company secretarial and other accounting and administrative support to Shore Capital Fund Administration Services Limited for an aggregate annual fee of 0.35 per cent of the Net Asset Value of the Fund, payable quarterly in arrears.

The annual running costs of the Company, for the period, are subject to a cap of 3.5 per cent of the Company's net assets.

Shore Capital and members of the investment management team will be entitled to a performance related incentive of 20 per cent of the aggregate excess on any amounts realised by the Company in excess of £1 per Ordinary Share, and Shareholders will be entitled to the balance. This incentive will only be exercisable once the holders of Ordinary Shares have received distributions of £1 per share (whether capital or income). The performance incentive structure provides a strong incentive for the Investment Manager to ensure that the Company performs well, enabling the Board to approve distributions as high and as soon as possible.

The performance incentive has been satisfied through the issue of Loan Notes to a nominee on behalf of the Investment Manager's group and employees of and persons related to the investment management team. In the event that distributions attributable to the Ordinary Shares of £1 per share have been made the Loan Notes will convert into sufficient Ordinary Shares to represent 20 per cent of the enlarged number of Ordinary Shares.

The performance fee has been expensed in accordance with FRS 20 for share based payments (see notes 1 and 4).

It is the Directors opinion that the continued appointment of the Investment Manager, Shore Capital Limited, on the terms agreed is in the best interest of the shareholders as a whole.

The Investment Manager has a proven track record in VCT management and currently manages over £60 million of VCT funds and has a strong network within the industry.

Creditor payment policy

The Company's payment policy for the forthcoming year is to ensure settlement of suppliers' invoices in accordance with their standard terms. As at 31 December 2007 and 28 February 2009 there were nil days' billing from the suppliers of services outstanding.

Financial Instruments

The material risks arising from the Company's financial instruments are investment, credit, liquidity and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised in note 18. These policies have remained unchanged since the beginning of the financial period. As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio.

Substantial Shareholdings

As at 28 February 2009 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of any class of the issued share capital.

VCT status monitoring

The Company has appointed PricewaterhouseCoopers LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate, and regular review of the portfolio. Although PricewaterhouseCoopers LLP work closely with the Investment Manager, they report directly to the Board.

Compliance with the VCT regulations (as described in the Investment Policy) for the year under review is summarised in the table below:

	Position at 28 Feb 2009
1. The Company holds at least 70% of its investments in qualifying companies,	74.5%
2. At least 30% of the Company's qualifying investments are held in "eligible shares";	33.3%
3. No investment constitutes more than 15% of the Company's portfolio at time of investment;	Complied
4. The Company's income for each financial year is derived wholly or mainly from shares and securities;	80.8%
5. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and	Complied
6. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

Annual General Meeting

The Annual General Meeting of the Company will be held at Bond Street House, 14 Clifford Street, London, W1S 4JU on 9 September 2009 at 10.10 a.m. Notice of the Annual General Meeting and Form of Proxy are inserted within this document.

Auditor

The Directors, resolved that Baker Tilly UK Audit LLP be re-appointed as auditor in accordance with the provisions of the Companies Act 2006, s489. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to Disclosure of Information to the Auditor

The Directors in office at the date of the report have confirmed that, as far as they are aware, that there is no relevant information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring the Annual Report includes information required by the Listing and Disclosure and Transparency Rules of the Financial Services Authority.

Company law and the Disclosure and Transparency Rules requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the income statement of the company for that year.

Each of the Directors confirm to the best of their knowledge:

- a. that the financial statements prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and return of the company; and

- b. the management report included within the Chairman's Statement, Investment Manager's Report and Report of the Director's, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Electronic publication

The financial statements are published on www.shorecap.co.uk a website maintained by the investment manager, Shore Capital Ltd. Legislation in the United Kingdom regulating the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The directors are responsible for ensuring the Report of the Directors and other information included in the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

By order of the Board

Eliot Kaye
Company Secretary

29 June 2009

Directors' Remuneration Report

This report is prepared in accordance with Schedule 7A of the Companies Act 1985. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 9 September 2009.

Directors' Remuneration Policy

The Board as a whole considers Directors' remuneration and, as such, a Remuneration Committee has not been established. The Board's policy is that the remuneration of non-executive Directors should reflect time spent and the responsibilities borne by the Directors on the Company's affairs and should be sufficient to enable candidates of high calibre to be recruited. Directors' fees payable during the period totalled £14,000 (including VAT) as set out in note 5.

Directors' Remuneration

The Directors received emoluments as detailed below:

	Unaudited Current Annual Fee £	Audited 2009 £	Audited 2007 £
Sir A T Brocklebank Bt, ACA (Chairman)	7,500	7,500	7,500
D M Brock	6,000	6,000	6,000
G Shore*	–	–	–
	13,500	13,500	13,500

* No fee is paid to Graham Shore, nor to Chris Ring, due to their position as directors of the Investment Manager, Shore Capital Limited.

2010 Remuneration

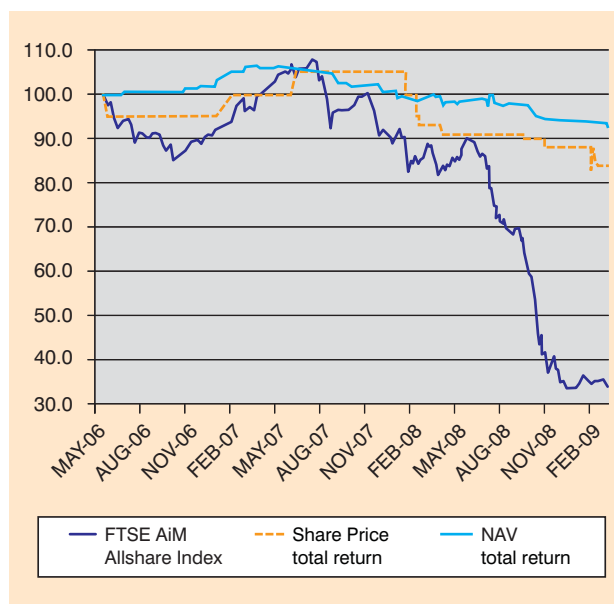
The remuneration levels for the forthcoming year are expected to be at the annual levels shown in the table above. The Directors shall be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

Directors' and Officers liability insurance cover is held by the Company in respect of the Directors.

On 5 December 2005, the non-executive Directors were appointed for a period of twelve months after which either party must give three calendar months' notice to end the contract.

Performance Graph

The following chart represents the Company's performance since trading commenced and compares the rebased Net Asset Value to a rebased FTSE AiM Allshare Index which has been chosen as a comparison as it best represents the spread of investments held by the Company. This has been rebased to 100 at 6 April 2006, the effective start of operations for the Company.



On behalf of the Board

Sir Aubrey Brocklebank Bt
Chairman

29 June 2009

Corporate Governance Statement

The Directors support the relevant principles of the Combined Code, being the principles of good governance and the code of best practice, as set out in Section 1 of the FRC Combined Code.

The Board

The Company has a Board comprising three non-executive Directors. All of the Directors are independent as defined by the Combined Code except for Graham Shore as a result of his holding a Directorship of the Investment Manager. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code. The Board has appointed Sir Aubrey Brocklebank as the senior independent Director who is also the Chairman. Biographical details of all Board members are shown on page 11.

As a newly appointed director Graham Shore is to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The remainder of the Board believe that he has made valuable contributions since his appointment and remains committed to his role. The Board therefore recommends that shareholders re-elect Graham Shore at the forthcoming AGM. The Board did not use an external search consultant to search for candidates or advertise this position.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues. The board has a formal schedule of matters specifically reserved for its decision. These include considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of qualifying investments, and reviewing, annually, the terms of engagement of all third party advisers (including investment managers and administrators).

The attendance of individual Directors at full Board meetings during the year were as follows:

	Scheduled Board meetings
Sir A T Brocklebank Bt	4/4
D M Brock	4/4
C J Ring	1/1
G B Shore	3/3

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

The Board has not appointed a nominations committee, audit committee or remuneration committee as they consider the Board to be small and it comprises wholly non-executive Directors. Appointments of new Directors, audit matters and remuneration are dealt with by the full Board.

During the period the Board reviewed the independence of the external auditor and recommended that they be re-appointed. The Directors receive written confirmation each period of the auditor's independence. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

The Board reviewed Directors' remuneration during the period. Details of the specific levels of remuneration to each director are set out in the Directors' Remuneration Report on page 16, and this is subject to shareholder approval.

Corporate Governance Statement continued

Relations with shareholders

Shareholders have the opportunity to meet representatives of the Investment Management team and the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders during the course of the year, or to meet with shareholders if so requested. In addition to the formal business of the AGM, representatives of the Investment Management team and the Board are available to answer any questions a shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrars collate proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form are at the end of this document.

Financial Reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Directors' Report on page 15, and a statement by the auditors about their reporting responsibilities is set out in the Auditor's Report on page 20.

Internal control

The Company has adopted an Internal Control Manual ("Manual"), which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and review the effectiveness of the Manual on an annual basis to ensure that the controls remain relevant and were in operation throughout the period. The Board will implement additional controls when new risks are perceived and update the Manual as appropriate.

Although the Board are ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company to the following advisers:

Administration	Shore Capital Fund Administration Services Limited
Investment Management	Shore Capital Limited

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. With the exception of the items outlined below, the Company has complied throughout the accounting period ended 28 February 2009 with the provisions set out in Section 1 of the Combined Code. Due to the special nature of the Company being a VCT, the following provisions of the Combined Code have not been complied with:

- a) Provision A1-3 – Due to the size of the Board, they feel it unnecessary to formalise procedures to appraise the Chairman's performance, as the Board deem it appropriate to address matters as they arise.
- b) Provision A3-3 – Due to the size of the board, the role of Chairman and senior independent Director are both performed by Aubrey Brocklebank. The recommendation is for the senior independent Director and Chairman to be separate positions on the Board.
- c) Provision A5-1 – New directors do not receive a full, formal and tailored induction on joining the Board because matters are addressed on an individual basis as they arise. Also the Company has no major shareholders so

shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting.

d) Provision A6-1 – Due to the size of the Board, a formal performance evaluation of the Board, its committees and the individual Directors has not been undertaken. Specific performance issues are dealt with as they arise.

e) Provisions A1.2, A4-1 to A4-3 & A4-6, B2-1 to B2-4, C3-1 to C3-7 – Due to the size of the Board, the Company did not have a formal nominations committee, audit committee or remuneration committee.

As a consequence of the Company not having a nominations committee provisions A4-1 to A4-6 of the Combined Code have not been complied with. The responsibilities of the nominations committee include leading the process for Board appointments and making recommendations to the Board.

As a consequence of the Company not having an audit committee provisions C3-1 to C3-7 of the Combined Code have not been complied with. The responsibilities of the audit committee include the review of financial performance, terms of auditor engagement and remuneration.

As a consequence of the Company not having a remuneration committee provisions B2-1 to B2-4 of

the Combined Code have not been complied with. The responsibilities of the remuneration committee include setting remuneration for all executive Directors and the Chairman.

The Directors do not consider it necessary to appoint the aforementioned committees as the Board consists of 3 non-executive Directors as recommended by C3-1 of the Combined Code. The Directors consider that the role and responsibilities of the committees as set-out in the Combined Code have been adopted by the full Board. Relevant matters were dealt with by the full Board.

f) Provision A7-2 – On 20 January 2005 (27 June 2008 for G Shore), the non-executive Directors were appointed for a period of twelve months after which either party must give three calendar months' notice to end the contract. The recommendation of the Combined Code is for fixed term renewable contracts. This is deemed unnecessary by the Board because all Directors are subject to re-election by rotation.

g) Provision A3-1 – the Directors are not considered to be independent as they hold common directorships under the same Investment Manager. The Board considers that the Directors have sufficient experience to exercise proper judgment within the meaning set out by the Combined Code.

Independent Auditor's Report to the Members of Puma VCT III plc

We have audited the financial statements on pages 21 to 38. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditor

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and that part of the Directors' Remuneration Report that is described as having been audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and whether the financial statements and the part of the Directors' Remuneration Report that is described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors' is consistent with the financial statements. The information given in the Report of the Directors' includes that specific information presented in the Chairman's Statement and Investment Manager's Report that is cross referenced from the Business Review section of the Report of the Directors'.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Investment Portfolio Summary, Largest Investments, Directors' Biographies and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report that is described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report that is described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 28 February 2009 and of its loss for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report that is described as having been audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

29 June 2009

Income Statement

For the period ended 28 February 2009

	Note	For the period to 28 February 2009			For the year to 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	9 (c)	–	(1,494)	(1,494)	–	(707)	(707)
Income	2	994	–	994	523	–	523
		994	(1,494)	(500)	523	(707)	(184)
Investment management fees	3	113	340	453	116	347	463
Performance fees	4	–	–	–	45	(102)	(57)
Other expenses	5	147	–	147	142	–	142
		260	340	600	303	245	548
Return/(loss) on ordinary activities before taxation		734	(1,834)	(1,100)	220	(952)	(732)
Tax on ordinary activities	6	(138)	102	(36)	(40)	40	–
Return/(loss) after taxation attributable to equity shareholders		596	(1,732)	(1,136)	180	(912)	(732)
Basic and diluted return/(loss) per Ordinary Share (pence)	7	3.05p	(8.88)p	(5.83)p	0.92p	(4.68)p	(3.76)p

The total column represents the profit and loss account and the revenue and capital columns are supplementary information.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

No separate Statement of Total Recognised Gains and Losses is presented as all gains and losses are included in the Income Statement.

The accompanying notes on pages 25 to 38 are an integral part of these financial statements.

Balance Sheet

As at 28 February 2009

	Note	As at 28 February 2009 £'000	As at 31 December 2007 £'000
Fixed Assets			
Investments	9	17,214	14,850
Current Assets			
Debtors	10	242	172
Cash at bank and in hand		255	4,221
Creditors – amounts falling due within one year	11	(133)	(236)
Net Current Assets		364	4,157
Total Assets less Current Liabilities		17,578	19,007
Creditors – amounts falling due after more than one year (including convertible debt)			
	12	(1)	(1)
Net Assets		17,577	19,006
Capital and Reserves			
Called up share capital	13	195	195
Capital reserve – realised	14	(559)	(110)
Capital reserve – unrealised	14	(1,755)	(405)
Other reserve	14	–	–
Revenue reserve	14	19,696	19,326
Equity Shareholders' Funds		17,577	19,006
Basic and Diluted Net Asset Value per Ordinary Share	15	90.08p	97.40p

These financial statements were approved and authorised for issue by the Board of Directors and were signed on their behalf by:

Sir Aubrey Brocklebank Bt

Chairman

29 June 2009

The accompanying notes on pages 25 to 38 are an integral part of these financial statements.

Cash Flow Statement

For the period ended 28 February 2009

		For the period to 28 February 2009 £'000	For the year to 31 December 2007 £'000
Operating activities			
Investment income received		938	385
Investment management fees paid		(508)	(579)
Directors fees paid		(18)	(14)
Foreign exchange (loss)/gain on cash		(46)	24
Other expenses paid		(135)	(143)
Net cash inflow/(outflow) from operating activities	16	231	(327)
Equity dividend paid		(293)	–
Capital expenditure and financial investment			
Purchase of investments	9 (b)	(7,678)	(7,370)
Proceeds from sale of investments	9 (b)	3,979	6,870
Net realised gain on forward foreign exchange contracts		(205)	207
Net cash outflow from capital expenditure and financial investment		(3,904)	(293)
Management of liquid resources		–	(2,796)
Cash outflow in the period		(3,966)	(3,416)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period		(3,966)	(3,416)
Increase in liquid resources for the period		–	2,796
Net cash at start of the period		4,221	4,841
Net funds at the period end		255	4,221

The accompanying notes on pages 25 to 38 are an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

For the period ended 28 February 2009

	For the period to 28 February 2009						
	Called up share capital £'000	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2008	195	–	(110)	(405)	–	19,326	19,006
Return/(loss) after taxation attributable to equity shareholders	–	–	(449)	(1,350)	–	663	(1,136)
Equity dividend paid	–	–	–	–	–	(293)	(293)
At 28 February 2009	195	–	(559)	(1,755)	–	19,696	17,577

	For the year to 31 December 2007						
	Called up share capital £'000	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2007	195	–	288	109	57	19,146	19,795
Return/(loss) after taxation attributable to equity shareholders	–	–	(398)	(514)	(57)	180	(789)
At 31 December 2007	195	–	(110)	(405)	–	19,326	19,006

The accompanying notes on pages 25 to 38 are an integral part of these financial statements.

Notes to the Accounts

For the period ended 28 February 2009

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed asset investments, and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies' ("SORP") revised in 2005. Although this SORP principally applies to Investment Trusts, many of the characteristics of Investment Trusts are shared by VCTs and therefore the Company has followed the SORP.

Income Statement

In order to better reflect the activities of a Venture Capital Trust and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Investments

All investments have been designated as fair value through profit or loss, and are initially measured at cost which is the best estimate of fair value. A financial asset is designated in this category if acquired to be both managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy. Thereafter the investments are measured at subsequent reporting dates at fair value. Listed investments and investments traded on AiM are stated at bid price at the reporting date. Hedge funds are valued at their respective quoted Net Asset Values per share at the reporting date. Unlisted investments are stated at Directors' valuation with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC"):

- Investments which have been made within the last twelve months or the investee company is in the early stage of development will usually be valued at the price of recent investment except where the company's performance against plan is significantly different from expectations on which the investment was made in which case a different valuation methodology will be adopted.
- Investments may be valued by applying a suitable price-earnings ratio to that company's historical post tax earnings. The ratio used is based on a comparable listed company or sector but discounted to reflect lack of marketability. Alternative methods of valuation include net asset value where such factors apply that make these methods more appropriate.

Realised surpluses or deficits on the disposal of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investment are taken to unrealised capital reserves.

Cash at bank and in hand

Cash at bank and in hand comprises of cash on hand and demand deposits.

Equity instruments

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at proceeds received net of issue costs.

Income

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Interest receivable is recognised on an accruals basis.

Notes to the Accounts continued

For the period ended 28 February 2009

1. Accounting Policies continued

Performance fees

Upon its inception, the Company negotiated performance fees payable to the Investment Manager, Shore Capital Limited at 20 per cent of the aggregate excess on any amounts realised by the Company in excess of £1 per Ordinary Share. This incentive will only be exercisable once the holders of Ordinary Shares have received distributions of £1 per share. The payment of this performance fee will be effected through an equity-settled share-based payment.

FRS 20 Share-Based Payment requires the recognition of an expense in respect of share-based payments in exchange for goods or services. Entities are required to measure the goods or services received at their fair value, unless that fair value cannot be estimated reliably in which case that fair value should be estimated by reference to the fair value of the equity instruments granted. The fair value of the share-based payment is calculated by reference to the fair value of the performance fees accrued at the balance sheet date.

At each balance sheet date, the Company estimates the number of shares that are expected to be issued based on its Net Asset Value per share. The Company recognises the impact of the change in shares to be issued in the Income Statement with a corresponding adjustment to equity.

Expenses

All expenses (inclusive of VAT) are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of:

- expenses incidental to the acquisition of an investment charged through the realised capital reserve are expensed and for the disposal of an investment are included in the profit or loss on disposal, and;
- the investment management fee, 75 per cent of which has been charged to the realised capital reserve to reflect an element which is, in the directors' opinion, attributable to the maintenance or enhancement of the value of the Company's investments in accordance with the boards expected long-term split of return.
- The performance fee which is allocated proportionally to revenue and capital based on the respective contributions to the Net Asset Value.

Taxation

Corporation tax is applied to profits chargeable to corporation tax, if any, at the applicable rate for the period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent years. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign exchange

Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates that they occurred. Assets and liabilities denominated in a foreign currency are translated at the appropriate foreign exchange rate ruling at the balance sheet date. Translation differences are recorded as unrealised foreign exchange losses or gains and taken to the Income Statement.

Forward contracts and hedging

The Company enters into forward contracts for the sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates in respect of some of its investments. These forward contracts are recorded at fair value through profit and loss. Any foreign exchange gain or loss is recorded by the Company in the Capital Reserve – unrealised until settled. Once realised, the gain or loss is taken to the Capital Reserve - realised.

1. Accounting Policies continued

Current period

The 2009 figures represent the period from 1 January 2008 to 28 February 2009. The comparative figures represent the period from 1 January 2007 to 31 December 2007.

Reserves

Realised losses and gains on investments and foreign exchange transactions, transaction costs, the capital element of the management fee and taxation are taken to the Capital Reserve – Realised on the Balance sheet. Unrealised losses and gains on investments and foreign exchange transactions and the capital element of the performance fee are taken to the Capital Reserve – Unrealised. The performance fee to be effected through share-based payment is taken to the Other Reserve and the total revenue gain or loss on the Income Statement is taken to the Revenue Reserve.

2. Income

	Period to 28 February 2009 £'000	Year to 31 December 2007 £'000
Income from investments		
Loan stock interest	729	303
Dividend income	74	61
Investment fee rebate	43	38
Other income	41	–
	887	402
Other income		
Bank deposit interest	107	121
Total income	994	523

The Company has invested in Puma Absolute Return Fund which is also managed by Shore Capital Limited. An arrangement is in place to avoid the double charging of management and performance fees. The Company has included investment fee rebates in income.

3. Investment Management Fees

	Period to 28 February 2009 £'000	Year to 31 December 2007 £'000
Shore Capital Limited	453	463

Shore Capital Limited (Shore Capital) has been appointed as the Investment Manager of the Company for an initial term of five years, which can be terminated by not less than twelve months' notice, given at any time by either party, on or after the fifth anniversary. The board is satisfied with the performance of the Investment Manager. Under the terms of this agreement Shore Capital will be paid an annual fee of 2.0 per cent of the Net Asset Value of the Company payable quarterly in arrears. These fees are capped, the Investment Manager has agreed to reduce its fee (if necessary to nothing) to reduce total annual costs to 3.5 per cent of Net Asset Value.

Subsequent to the Period end the Company has submitted a reclaim of £128,000 of VAT paid on Management fees to the HMRC following a recent European Union ruling. The reclaim is for VAT paid on management fees from the period 1 March 2006 to 31 August 2008. No VAT has been charged on management fees from September 2008 onwards.

Notes to the Accounts continued

For the period ended 28 February 2009

4. Performance Fees

	Period to 28 February 2009 £'000	Year to 31 December 2007 £'000
Shore Capital Limited	–	(57)

A reversal of the performance fee has arisen this period which has been credited in accordance with FRS 20 Share-Based Payment (see note 1).

5. Other Expenses

	Period to 28 February 2009 £'000	Year to 31 December 2007 £'000
Administration – Shore Capital Fund Administration Services Limited	80	82
Directors' remuneration	17	14
Auditors' remuneration for statutory audit	14	12
Insurance	3	2
Legal and professional fees	7	8
FSA, LSE and registrar fees	15	14
Custody charges	–	2
Other expenses	11	8
	147	142

Shore Capital Fund Administration Services Limited provides administrative services to the Company for an aggregate annual fee of 0.35 per cent of the Net Asset Value of the Fund, payable quarterly in arrears.

The total fees paid or payable in respect of individual Directors for the period are detailed in the Directors' Remuneration Report commencing on page 16. The Company had no employees (other than Directors) during the period.

6. Tax on Ordinary Activities

	Period to 28 February 2009 £'000	Year to 31 December 2007 £'000
(a) UK corporation tax charge for the period	36	–
(b) Factors affecting tax charge for the period		
Revenue return on ordinary activities before taxation	734	220
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 21% (2007 – 20%)	154	44
Effects of:		
Taxable losses b/fwd	(31)	–
Non taxable UK dividend income	(16)	(13)
Performance fee expense	–	9
Capital expenses in period	(71)	(40)
	36	–

The income statement shows the tax charge allocated to revenue and capital.

Capital returns are not included as VCTs are exempt from tax on realised capital gains subject that they comply and continue to comply with the VCT regulations.

No provision for deferred tax has been made in the current accounting period. No deferred tax assets have been recognised as the timing of their recovery cannot be foreseen with any certainty. Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7. Basic and diluted return per Ordinary Share

	Period ended 28 February 2009			Year ended 31 December 2007		
	Revenue	Capital	Total	Revenue	Capital	Total
Return for the period	596,000	(1,732,000)	(1,136,000)	180,000	(912,000)	(732,000)
Weighted average number of shares	19,512,692	19,512,692	19,512,692	19,512,692	19,512,692	19,512,692
Return per Ordinary Share	3.05p	(8.88)p	(5.83)p	0.92p	(4.68)p	(3.76)p

The total return per ordinary share is the sum of the revenue return and capital return.

Notes to the Accounts continued

For the period ended 28 February 2009

8. Dividends

	Period ended 28 February 2009 £'000	Year ended 31 December 2007 £'000
Paid in year		
2008 Final revenue dividend	293	–

The directors propose a final dividend payment of 2.5p per Ordinary Share (2008 final – 1.5p).

9. Investments

	Historic Cost as at 28 February 2009 £'000	Market Value as at 28 February 2009 £'000	Historic Cost as at 31 December 2007 £'000	Market Value as at 31 December 2007 £'000
(a) Summary				
Qualifying venture capital investments	13,621	12,564	4,731	4,247
Non-qualifying investments	5,362	4,650	10,511	10,603
	18,983	17,214	15,242	14,850

	Venture capital investments £'000	Hedge funds & equity investments £'000	Total £'000
(b) Movements in investments			
Opening book cost at 31 December 2007	4,731	10,511	15,242
Unrealised (losses)/gains at 31 December 2007	(484)	92	(392)
Valuation at 31 December 2007	4,247	10,603	14,850
Purchases at cost	7,284	394	7,678
Disposals – proceeds	(394)	(3,584)	(3,978)
– realised net gains on disposal	–	41	41
Investments achieving qualifying status during the period	2,000	(2,000)	–
Net unrealised losses on revaluation of investments	(573)	(804)	(1,377)
Valuation at 28 February 2009	12,564	4,650	17,214
Book cost at 28 February 2009	13,621	5,362	18,983
Net unrealised losses at 28 February 2009	(1,057)	(712)	(1,769)
Valuation at 28 February 2009	12,564	4,650	17,214

9. Investments continued

(c) (Losses)/gains on investments

The (losses)/gains on investments for the period shown in the Income Statement on page 21 is analysed as follows:

	Period to 28 February 2009 £'000	Year to 31 December 2007 £'000
Realised (losses)/gains on disposal	(35)	396
Foreign exchange losses – realised	(176)	(487)
Foreign exchange gains/(losses) – unrealised on forward foreign exchange contracts	94	(102)
Foreign exchange gains – unrealised on investments	121	548
Net unrealised losses on revaluation	(1,498)	(1,062)
	(1,494)	(707)

	Historic Cost as at 28 February 2009 £'000	Market Value as at 28 February 2009 £'000	Historic Cost as at 31 December 2007 £'000	Market Value as at 31 December 2007 £'000
(d) Quoted and unquoted investments				
Quoted investments	6,466	4,624	8,848	8,427
Unquoted investments	12,517	12,590	6,394	6,423
	18,983	17,214	15,242	14,850

	Net disposal proceeds £'000	Cost £'000	Market Value as at 31 December 2007 £'000
(e) Disposals of unquoted investments in the year			
Redemption of Whykham loan	394	394	–
Part redemption of Lakan Investments loan	857	767	1,103
	1,251	1,161	1,103

It is not the Company's policy to exercise either significant or controlling influence over investee companies.

10. Debtors

	2009 £'000	2007 £'000
Fair value of forward foreign exchange contracts	14	–
Prepayments and accrued income	228	172
	242	172

Notes to the Accounts continued

For the period ended 28 February 2009

11. Creditors – amounts falling due within one year

	2009 £'000	2007 £'000
Fair value of forward foreign exchange contracts	–	(79)
Accruals	(133)	(157)
	(133)	(236)

Included in creditors or debtors in notes 10 and 11 above is the fair value of the forward foreign exchange contracts held to hedge the Company's foreign currency denominated assets (see Note 18).

	2009 £'000	2007 £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contracts – \$ USD	–	–	–	(47)
Forward foreign exchange contracts – € EUR	14	–	–	(32)
	14	–	–	(79)

12. Creditors – amounts falling due after more than one year (including convertible debt)

	2008 £'000	2007 £'000
Loan Notes	(1)	(1)

On 28 December, 2005, the Company issued Loan Notes in the amount of £1,000 to a nominee on behalf of the Investment Manager's group and employees of and persons related to the investment management team. The Loan Notes accrue interest of 5 per cent per annum.

Shore Capital and members of the investment management team will be entitled to a performance related incentive of 20 per cent of the aggregate excess on any amounts realised by the Company in excess of £1 per Ordinary Share, and Shareholders will be entitled to the balance. This incentive will only be payable once the holders of Ordinary Shares have received distributions of £1 per share (whether capital or income). The performance incentive structure provides a strong incentive for the Investment Manager to ensure that the Company performs well, enabling the Board to approve distributions as high and as soon as possible.

In the event that distributions to the holders of Ordinary Shares totalling £1 per share have been made the Loan Notes will convert into sufficient Ordinary Shares to represent 20 per cent of the enlarged number of Ordinary Shares.

No performance fee is currently payable as the Ordinary Shares have not received enough distributions to date. However, when the total return is greater than £1, a performance fee will be expensed in accordance with FRS 20 Share-based Payment. Also, a diluted NAV per share will be calculated to reflect the impact of this conversion (see page 22).

The amount of the performance fee reversal has been calculated as 20 per cent of the excess of the net asset value over £1 per issued share of the 2007 net asset value to reverse the remaining performance fee accrual to reflect that the fund is not in a performance generating position at the reporting date. This amount has been credited to the Income Statement and debited to other reserve within Equity Shareholder's Funds.

13. Called Up Share Capital

	2009 £'000	2007 £'000
Authorised:		
35,000,000 ordinary shares of 1p each (2007: 35,000,000)	350	350
Allotted and fully paid:		
19,512,692 ordinary shares of 1p each (2007: 19,512,692)	195	195

The Company did not issue any shares during the period to 28 February 2009.

14. Capital and Reserves

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 1 January 2008	(110)	(405)	–	19,326	18,811
Net gains on realisation of investments	(35)	–	–	–	(35)
Foreign exchange losses realised	(176)	–	–	–	(176)
Net unrealised losses on revaluation of investments, forward foreign exchange contracts and cash	–	(1,283)	–	–	(1,283)
Management fees charged to capital	(340)	–	–	–	(340)
Performance fee credited to capital	–	(67)	–	67	–
Retained net revenue for the period	–	–	–	596	596
Taxation relief on capital expenses	102	–	–	–	102
Equity dividend paid	–	–	–	(293)	(293)
Balance at 28 February 2009	(559)	(1,755)	–	19,696	17,382

The other reserve represents the cumulative amount of performance fees which have been expensed since the Company's inception. Upon realisation or reversal of the performance fees, the other reserve will be reduced to nil with a corresponding entry within equity.

The Capital reserve-realised, the Capital reserve-unrealised and the Revenue reserve are distributable reserves.

Notes to the Accounts continued

For the period ended 28 February 2009

15. Net Asset Value per Ordinary Share

	2009		2007	
	Basic	Diluted	Basic	Diluted
Net assets (£)	17,577,000	17,577,000	19,006,000	19,006,000
Number of Ordinary Shares	19,512,692	19,512,692	19,512,692	19,512,692
Net Assets Value per Ordinary Share (p)	90.08p	90.08p	97.40p	97.40p

Calculation of number of shares

	2009		2007	
	Basic	Diluted	Basic	Diluted
Number of Ordinary Shares	19,512,692	19,512,692	19,512,692	19,512,692
Dilutive effect of performance fee (see note 4)	–	–	–	–
At 31 December	19,512,692	19,512,692	19,512,692	19,512,692

There is a potential dilution impact from the future issuance of additional shares to effect the performance fee payable to the Investment Manager. No performance fees were payable to the Investment Manager hence there was no dilution impact as at 28 February 2009.

16. Reconciliation of total loss before capital expenditure and financing and costs to net cash inflow from operating activities

	2009 £'000	2007 £'000
Total loss before taxation	(1,100)	(732)
Losses on investments	1,494	707
Increase in debtors	(56)	(138)
Decrease in creditors	(61)	(131)
Foreign exchange (loss)/gain on cash	(46)	24
Performance fee to be effected through share-based payment	–	(57)
Net cash inflow/(outflow) from operating activities	231	(327)

17. Analysis of Changes in Net Funds

	2009 £'000	2007 £'000
Beginning of period	4,221	4,841
Increase in liquid resources for the period	–	2,796
Net cash outflow	(3,966)	(3,416)
As at period-end	255	4,221

18. Financial Instruments

The Company's financial instruments comprise its investment portfolio, forward foreign currency contracts cash balances, debtors and creditors. Fixed Asset investments held are valued at Bid market prices, Net Asset Value or in accordance with IPEVC guidelines (see note 1). The fair value of all financial assets and liabilities is represented by the carrying value in the Balance Sheet. The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value at 28 February 2009:

	Period ended 29 February 2009 £'000	Year to 31 December 2007 £'000
Assets at fair value through profit and loss		
Investments managed through Shore Capital Limited	17,214	14,850
Loans and receivables		
Cash at bank and in hand	255	4,221
Loans and receivables	242	172
Other financial liabilities		
Financial liabilities measured at amortised cost	(134)	(237)
	17,577	19,006

Management of risk

The main risks the Company faces from its financial instruments in the current and prior year are (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movements, (ii) liquidity risk, (iii) interest rate risk, and the Company has some exposure to currency risk. The Board regularly reviews and agrees policies for managing each of these risks. The Board's policies for managing these risks are summarised below and have been applied throughout the period. The numerical disclosures exclude short-term debtors and creditors.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager monitors counterparty risk which is monitored on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date. The Company's financial assets maximum exposure to credit risk is as follows:

	2009 £'000	2007 £'000
Investments in fixed interest instruments	3,002	3,725
Investments in floating rate instruments	6,756	2,000
Cash and cash equivalents	255	4,221
Interest, dividends and other receivables	242	172
	10,256	10,118

The Investment Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. The loan stock instruments have a first or second charge over the assets of the investee company. Credit risk arising on fixed interest instruments is mitigated by close involvement with the management of the investee companies along with review of their trading results and the quality of the asset backing of the financial instruments.

Credit risk arising on floating rate instruments is mitigated by investing into vehicles upon which the Investment Manager, Shore Capital Limited, has board representation.

All the quoted assets of the Company are held by Pershing Securities Limited, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports.

Notes to the Accounts continued

For the period ended 28 February 2009

18. Financial Instruments continued

Credit risk continued

Substantially all of the cash held by the Company is held by a large double A rated U.K. bank. Bankruptcy or insolvency of the bank may cause the Company's rights with respect to the cash held to be delayed or limited. The Board monitors the Company's risk by reviewing regularly the financial position of the bank and should it deteriorate significantly the Investment Manager will, on instruction of the Board move the cash holdings to another bank.

Credit risk associated with interest, dividends and other receivables are predominantly covered by the investment management procedures.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held by the Company. It represents the potential loss the Company might suffer through holding market positions or unquoted investments in the face of price movements. The Investment Manager actively monitors market prices throughout the period and reports to the Board, which meets regularly in order to consider investment strategy.

The Company's strategy on the management of investment risk is driven by the Company's investment policy as outlined in the Report of the Directors on page 12. The management of market price risk is part of the investment management process. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders.

Investments in unquoted investments pose higher price risk than quoted investments. Some of that risk can be mitigated by close involvement with the management of the investee companies along with review of their trading results to produce a conservative and accurate valuation.

Investments in AiM traded companies, by their nature, involve a higher degree of risk than investments in the main market. Some of that risk can be mitigated by diversifying the portfolio across business sectors and asset classes. The Company's overall market positions are monitored by the Board on a quarterly basis.

Investments in hedge funds can have a perception of high market price risk. The Company's strategy in respect of hedge funds is to invest in funds that have underlying positions that are liquid and independently marked-to-market.

7 per cent of the Company's investments are traded on AiM, listed on the London Stock Exchange or other similar exchanges. 20 per cent of the Company's investments are quoted hedge funds and 73 per cent are unquoted investments.

The table below outlines the individual impact valuation of the investments of a 5 per cent change to quoted stocks, quoted hedge funds and unquoted investments. The change outlines the potential increase or decrease in net assets attributable to the Company's shareholders and the total return for the period.

		2009 £'000	2007 £'000
Quoted stocks	+/-	60	133
Quoted hedge funds	+/-	172	289
Unquoted investments	+/-	630	321
		862	743

Liquidity risk

The unquoted holdings consisted of four equity investments and seven loan notes. By their nature, unquoted investments may not be readily realisable, the board considers exit strategies for these investments throughout the period for which they are held. The portfolio of quoted hedge funds and equities is held to offset the liquidity risk. As at the period end, the Company had no borrowings other than loan notes amounting to £1,000 (see note 12).

The Company's financial instruments include investments in AiM-traded companies, which by their nature, involve a higher degree of risk than investments in the main market. As a result, the Company may not be able to liquidate quickly some of these investments at an amount close to their fair value in order to meet its liquidity requirements.

The Company's hedge funds are considered to be readily realisable as they are redeemable at monthly stated NAVs.

18. Financial Instruments continued

Liquidity risk continued

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place as described in the Report of the Directors. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 28 February 2009 these investments were valued at £4,879,000 (2007: £12,648,000).

Fair value interest rate risk

The benchmark that determines the interest paid or received on the current account is the Bank of England base rate, which was 1 per cent at 28 February 2009. All of the loan stock investments are unquoted and hence not subject to market movements as a result of interest rate movements.

At the period end and throughout the period, the Company's only liability subject to fair value interest rate risk were the Loan Notes of £1,000 at 5.0 per cent (see note 12).

Cash flow interest rate risk

The Company has exposure to interest rate movements primarily through its cash deposit which tracks the Bank of England base rate, the loan notes held with Albemarle, Bond and Clifford Contracting and with Bruton, Heddon, Kingley, Pollen and Saville Services are also subject to movements in the base rate. During the year, the Company earned interest income from holdings in commercial paper and cash with its custodian, Pershing Securities Limited.

The benchmark that determines the interest paid or received on the current account is the Bank of England base rate, which was 1 per cent at 28 February 2009.

Interest rate risk profile of financial assets

The Company's financial assets, other than the fixed interest loan stock investments noted above and non-interest bearing investments, are floating rate. The following analysis sets out the interest rate risk of the Company's financial assets.

	Rate status	Average interest rate	Period until maturity	2009 £'000	2007 £'000
Cash at bank	Floating rate	4.22%		255	1,425
Albemarle Contracting loan note	Floating rate	6.22%	9 years	700	–
Bond Contracting loan note	Floating rate	5.97%	9 years	606	1,000
Clifford Contracting loan note	Floating rate	4.47%	9 years	1,700	1,000
Bruton Services loan note	Floating rate	3%	10 years	750	–
Heddon Services loan note	Floating rate	3%	10 years	750	–
Kingly Services loan note	Floating rate	3%	10 years	750	–
Pollen Services loan note	Floating rate	3%	10 years	750	–
Saville Services loan note	Floating rate	3%	10 years	750	–
Cadbury House loan stock C units	Fixed rate	7%	3 years	1,400	1,400
Cadbury House loan stock B units	Fixed rate	11%	4 years	335	335
Stocklight loan stock	Fixed rate	9%	3 years	591	591
Stocklight loan stock D units	Fixed rate	13.33%	1 year	205	296
Stocklight loan stock D units	Fixed rate	8.9%	1 year	91	–
RBS commercial paper	Fixed rate	–	–	–	2,796
Lakan investments	Fixed rate	18.44%	1 year	380	1,103
Balance of assets	Non-interest bearing			7,699	9,297
				17,712	19,243

Notes to the Accounts continued

For the period ended 28 February 2009

18. Financial Instruments continued

Interest rate risk profile of financial assets continued

The non-interest bearing assets include investments in hedge funds and equity instruments that have no fixed dividend or interest rate.

An increase of 1 point in UK base rate as at the reporting date would have increased the net assets attributable to the Company's shareholders and decreased the total loss for the period by £82,000 (2007: increased the net assets and profit by £34,000). A decrease of 1 per cent would have had an equal but opposite effect.

None of the loan stocks held by the Company are convertible.

Foreign currency risk

The reporting currency of the Company is Sterling. However, the Company holds two Euro denominated investments as well as U.S. Dollar and Euro cash accounts. As at the period end, the Sterling equivalent value of such foreign investments amounted to £393,000 (2007 - £2,452,000) representing 2 per cent (2007 - 13 per cent) of the Company's net assets as at that date.

The Group enters into forward contracts for the sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates in respect of these holdings. These forward contracts are recorded at fair value through profit and loss and any change in value is taken to the capital account. Profit on unrealised forward contracts at period-end was £14,000 (2007 - loss of £79,000) and are recorded in the Capital Reserve - unrealised. The notional principal amounts of the outstanding forward foreign currency exchange contracts at 28 February 2009 were £393,000 (2007 - £2,346,000).

19. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed.

The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

The Board has the opportunity to consider levels of gearing, however, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities is small and the management of it is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

20. Contingencies, Guarantees and Financial Commitments

There were no commitments, contingencies or guarantees of the Company at the period-end.

21. Controlling Party and Related Party Transactions

In the opinion of the Directors there is no immediate or ultimate controlling party.

The Company has appointed Shore Capital Limited, a company of which Graham Shore is a director, to provide investment management services. During the period £453,000 (2007 - £463,000) was due in respect of investment management fees. The balance owing to Shore Capital Limited at period-end was £57,000 (2007 - £112,000).

The Company has appointed Shore Capital Fund Administration Services Limited, a related company to Shore Capital Limited, to provide accounting, secretarial and administrative services. During the period £80,000 (2007 - £82,000) was due in respect of these services. The balance owing to Shore Capital Fund Administration Services Limited at period-end was £10,000 (2007 - £20,000).

Puma VCT III plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Bond Street House, 14 Clifford Street, London W1S 4JU on 9 September 2009 at 10.10 a.m. (or as soon thereafter as the annual general meeting of Puma VCT II plc called for 10.05 a.m. on 9 September 2009 shall have been concluded) for the following purposes:

Ordinary Business

- 1 To approve and adopt the Accounts for the financial period ended 28 February 2009, together with the reports of the Directors and Auditors thereon.
- 2 To re-elect Graham Shore as a director who retires pursuant to article 117 of the Company's Articles of Association and, being eligible, offers himself for re-election.
- 3 To re-appoint Baker Tilly as Auditors of the Company and to authorise the Directors to determine their remuneration.
- 4 To declare a final dividend of 2.5p per ordinary share of 1p each in the capital of the Company ("Ordinary Share") payable to shareholders on the register at close of business on 17 July 2009.
- 5 To approve the policy set out in the Remuneration Report in the Annual Report and Accounts 2009.

BY ORDER OF THE BOARD

Eliot Kaye

Company Secretary

Registered Office:

Bond Street House
14 Clifford Street
London
W1S 4JU

Dated: 29 June 2009

Notes:

- 1 A member who is entitled to attend, speak and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not be a member of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If you require additional proxy forms, please contact the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU on 0871 664 0300 (calls cost 10p per minute plus network extras) or you may photocopy this form.
- 2 To be valid, a Form of Proxy must be lodged with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU at least 48 hours before the Meeting. A Form of Proxy for use by shareholders is enclosed with this Notice. Completion of the Form of Proxy will not prevent a shareholder from attending the Meeting and voting in person.
- 3 The Register of Directors' Interests, together with the Directors' letters of appointment, and a copy of the Company's Articles of Association will be available for inspection during usual business hours on any weekday (Saturdays and Public Holidays excluded) at the registered office of the Company until the date of the Annual General Meeting and at the place of the Meeting for 15 minutes prior to and until the termination of the Meeting.
- 4 Resolution 2: Information about the Director who is proposed by the Board for re-election at the Meeting is shown in the Annual Report and Accounts 2009.

Puma VCT III plc

Notice of Annual General Meeting continued

Notes continued:

- 5 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the time of the Meeting or, if the Meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting.
- 6 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 7 The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in this paragraph can only be exercised by shareholders of the Company.
- 8 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
- 9 As at 29 June 2009 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 19,512,692 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 June 2009 are 19,512,692.

Puma VCT III plc
Bond Street House
14 Clifford Street
London W1S 4JU
www.shorecap.co.uk

Tel: 020 7408 4050
Fax: 020 7408 4051